

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2014

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2014

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-14
Basic Financial Statements	<u>Exhibit</u>
Government-wide Financial Statements	
Statement of Net Position	A 16
Statement of Activities	B 17-18
Governmental Fund Financial Statements	
Balance Sheet	C 19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 20
Statement of Revenues, Expenditures and Changes in Fund Balances	E 21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 22
Proprietary Fund Financial Statements	
Statement of Net Position	G 23
Statement of Revenues, Expenses and Changes in Net Position	H 24
Statement of Cash Flows	I 25
Notes to Financial Statements	26-39
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	41
Notes to Required Supplementary Information - Budgetary Reporting	42
Schedule of Funding Progress for the Retiree Health Plan	43

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2014

Supplementary Information	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds		
Combining Balance Sheet	1	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46
Nonmajor Enterprise Funds		
Combining Statement of Net Position	3	47
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	4	48
Combining Statement of Cash Flows	5	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	50-51
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	52
 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		53-54
 Schedule of Findings		55-57
 Audit Staff		58

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Michael Brown	Board President	2013
Toby Gordon	Vice President	2015
Dawn Dunnegan	Board Member	2013
Kenton Klenk	Board Member	2013
Brad Coates	Board Member	2015
Steve Nelson	Board Member	2015
Toni Coates	Board Member	2015
(After September 2013 Election)		
Toby Gordon	Board President	2015
Brad Coates	Vice President	2015
Steve Nelson	Board Member	2015
Toni Coates	Board Member	2015
Carrie Lippert	Board Member	2017
John Witte	Board Member	2017
Richard Whitaker	Board Member	2017
School Officials		
Greg Ray	Superintendent	2014
Dawn Kelly	District Secretary/Treasurer	Indefinite
Lynch Dallas,P.C.	Attorney	Indefinite

Kay L. Chapman, CPA PC

116 Harrison Street
Muscatine, Iowa 52761
563-264-1385
kchapman@cpakay.com

Independent Auditor's Report

To the Board of Education
Mediapolis Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District, Mediapolis, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mediapolis Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 17, 2015 on my consideration of Mediapolis Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mediapolis Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mediapolis Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,326,747 in fiscal 2013 to \$8,489,715 in fiscal 2014. The District's General Fund balance increased from \$1,931,086 in fiscal 2013 to \$2,229,002 in fiscal 2014, a 16% increase.
- Student enrollment was down September 2014 to 737.0 resident students from 754.3 resident students the previous year.
- The District purchased a new 2014 Thomas C2 50 passenger lift bus in July 2013, as the fleet continues to be updated. This bus was purchased for \$93,974, using PPEL dollars.
- In FY2014, the high school gym was renovated. There had been gym floor damage due to a boiler malfunction, which gave the district an opportunity to complete some renovation work in the gym. Renovation work included a new floor, new doors and painting. The total net cost to the district of the gym renovation was \$52,196 and was paid for out of the Capital Projects Fund.
- Work that began in late spring 2013 on the construction of an outdoor classroom on the west side of the elementary building was completed. It was funded by \$27,370 of PPEL dollars. Continuing operating costs will be funded by private donations.
- The district-wide exterior walls project that was begun in early summer 2013 was not completed in FY2014 due to some complications with the project and weather constraints. Anticipated completion will be summer of 2014.
- An Athletic Facilities Improvements Project was begun in fiscal year 2014. This is a major, multi-year project. Phase I includes relocation of the baseball field to the northwest of the school, relocation of the football field to the center of the track, turfing the new football field, football field lighting, parking lot, road work and field dirt work. The school district bonded \$3,040,000 in 5 year School Infrastructure Sales, Services and Use Tax Revenue Bonds April 2014 to finance the project and entered into a contract totaling \$2,699,510 for Phase I. Work was not complete at 6/30/2014 on Phase I and is construction in progress. Later phases, which are to be paid out of the Capital Projects Fund balance and future revenues, will include concession and press box buildings, bleachers and other related items. The City of Mediapolis and Mediapolis Farms donated land (7.41 acres and 6.34 acres respectively) to this project.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of

Mediapolis Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mediapolis Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Mediapolis Community School District Annual Financial Report

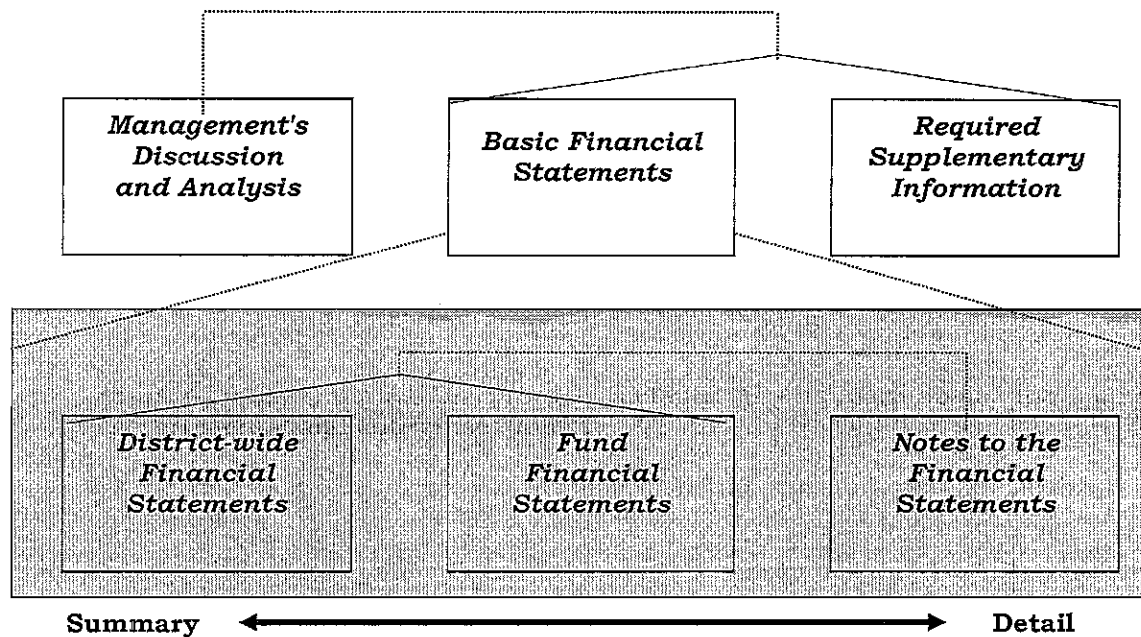


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool program
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, the Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 9,860,936	\$ 9,774,055	\$ 106,879	\$ 94,004	\$ 9,967,815	\$ 9,868,059	1.01%
Capital assets	<u>11,618,160</u>	<u>10,873,876</u>	<u>15,529</u>	<u>19,291</u>	<u>11,633,689</u>	<u>10,893,167</u>	6.80%
Total assets	<u>21,479,096</u>	<u>20,647,931</u>	<u>122,408</u>	<u>113,295</u>	<u>21,601,504</u>	<u>20,761,226</u>	4.05%
Long-term liabilities	306,944	57,936	-	-	306,944	57,936	429.80%
Other liabilities	<u>1,477,362</u>	<u>1,070,645</u>	<u>25,589</u>	<u>12,876</u>	<u>1,502,951</u>	<u>1,083,521</u>	38.71%
Total liabilities	<u>1,784,306</u>	<u>1,128,581</u>	<u>25,589</u>	<u>12,876</u>	<u>1,809,895</u>	<u>1,141,457</u>	58.56%
Deferred inflows of resources	<u>2,932,577</u>	<u>3,551,512</u>	<u>-</u>	<u>-</u>	<u>2,932,577</u>	<u>3,551,512</u>	-17.43%
Net Position							
Net investment in							
capital assets	11,376,058	10,873,876	15,529	19,291	11,391,587	10,893,167	4.58%
Restricted	3,315,180	3,259,343	-	-	3,315,180	3,259,343	1.71%
Unrestricted	<u>2,070,975</u>	<u>1,834,619</u>	<u>81,290</u>	<u>81,128</u>	<u>2,152,265</u>	<u>1,915,747</u>	12.35%
Total net position	<u>\$ 16,762,213</u>	<u>\$ 15,967,838</u>	<u>\$ 96,819</u>	<u>\$ 100,419</u>	<u>\$ 16,859,032</u>	<u>\$ 16,068,257</u>	4.92%

The District's combined net position increased by approximately 5%, or \$790,775, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$55,837, or approximately 2% over the prior year.

Unrestricted net position represent the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$236,518 or approximately 12%.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues							
Program revenues							
Charges for service and sales	\$ 1,141,098	\$ 1,078,267	\$ 208,044	\$ 205,189	\$ 1,349,142	\$ 1,283,456	5.12%
Operating grants	1,023,376	1,018,880	141,349	134,735	1,164,725	1,153,615	0.96%
General revenues							
Property tax	3,958,966	3,476,244	-	-	3,958,966	3,476,244	13.89%
Statewide sales, services and use tax	659,160	712,204	-	-	659,160	712,204	-7.45%
Unrestricted state grants	3,131,662	3,469,283	-	-	3,131,662	3,469,283	-9.73%
Contributions and donations	16,924	22,216	-	-	16,924	22,216	-23.82%
Unrestricted investment earnings	21,035	28,715	48	53	21,083	28,768	-26.71%
Other	21,666	35,789	-	-	21,666	35,789	-39.46%
Special item - gain (loss) on sale of assets	<u>16,177</u>	<u>8,253</u>	<u>-</u>	<u>(130)</u>	<u>16,177</u>	<u>8,123</u>	99.15%
Total revenues and special item	<u>9,990,064</u>	<u>9,849,851</u>	<u>349,441</u>	<u>339,847</u>	<u>10,339,505</u>	<u>10,189,698</u>	1.47%
Program expenses							
Governmental activities							
Instruction	5,735,835	5,676,474	-	-	5,735,835	5,676,474	1.05%
Support services	2,696,640	2,472,651	-	-	2,696,640	2,472,651	9.06%
Non-instructional programs	10,757	10,363	353,041	345,232	363,798	355,595	2.31%
Other expenses	<u>752,457</u>	<u>776,915</u>	<u>-</u>	<u>-</u>	<u>752,457</u>	<u>776,915</u>	-3.15%
Total expenses	<u>9,195,689</u>	<u>8,936,403</u>	<u>353,041</u>	<u>345,232</u>	<u>9,548,730</u>	<u>9,281,635</u>	2.88%
Change in net position	794,375	913,448	(3,600)	(5,385)	790,775	908,063	-12.92%
Net position, beginning of year	<u>15,967,838</u>	<u>15,054,390</u>	<u>100,419</u>	<u>105,804</u>	<u>16,068,257</u>	<u>15,160,194</u>	5.99%
Net position, end of year	<u>\$ 16,762,213</u>	<u>\$ 15,967,838</u>	<u>\$ 96,819</u>	<u>\$ 100,419</u>	<u>\$ 16,859,032</u>	<u>\$ 16,068,257</u>	4.92%

In fiscal 2014, property tax and unrestricted state grants account for 71% of the revenue from governmental activities while charges for service and operating grants account for almost 100% of the revenue from business type activities.

The District's total revenues were \$10,339,505 of which \$9,990,064 was for governmental activities and \$349,441 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% increase in revenues and a 3% increase in expenses. The increase in revenues is mostly related to an increase in property taxes to fund the budget adjustment and increased open enrollment tuition receipts. The increase in expenses is mostly due to an increase in curriculum coordinating expenses and transportation costs, and unexpected increases in operation and maintenance costs (all non-instructional programs' expenses).

Governmental Activities

Revenues for governmental activities were \$9,990,064 and expenses were \$9,195,689 for the year ended June 30, 2014. The District continues to monitor expenses and available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 5,735,835	\$ 5,676,474	1.0%	\$ 3,893,145	\$ 3,896,144	-0.1%
Support services	2,696,640	2,472,651	9.1%	2,694,880	2,471,944	9.0%
Non-instructional programs	10,757	10,363	3.8%	10,757	10,363	3.8%
Other expenses	<u>752,457</u>	<u>776,915</u>	-3.1%	<u>432,433</u>	<u>460,805</u>	-6.2%
Total expenses	<u>\$ 9,195,689</u>	<u>\$ 8,936,403</u>	2.9%	<u>\$ 7,031,215</u>	<u>\$ 6,839,256</u>	2.8%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,141,098.
- Federal and state governments subsidized certain programs with grants totaling \$1,023,376.
- The net cost of governmental activities was financed with \$4,618,126 in property and other taxes and \$3,131,662 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$349,441 representing a 3% increase over the prior year and expenses were \$353,041, a 3% increase over the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Nutrition Fund had a decrease in net position of \$4,190 for fiscal year 2014, which was less than the decrease in net position the previous year. At June 30, 2014 the Nutrition Fund had an overall positive net position. The Board voted in July 2014 to increase 6th-12th grade lunch prices for the 2014-15 school year in an effort to generate adequate yearly revenue to cover yearly costs. The Board will continue to monitor the Nutrition Fund's yearly revenue and expenses and make adjustments, if needed.

Also during fiscal 2014, the District continued its preschool/transitional kindergarten program. The Pre-K Fund showed an increase in net position of \$590 for fiscal year 2014 and at 6/30/2014, the Pre-K program had a positive net position. The Board voted in May 2014 to increase the four-year-old tuition rate for fiscal year 2015 in

order to cover anticipated salary and benefits cost increases due to some reorganization and will continue to closely monitor this program and make any adjustments if required.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mediapolis Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,169,546, above last year's ending fund balances of \$4,884,952. The increase was primarily due to general and other non major government funds' revenues exceeding their expenses, and the receipt of bond proceeds in the Capital Projects Fund. These increases more than offset site improvement projects costs net of sales tax revenue in the Capital Projects Fund, resulting in an overall combined fund balance increase.

Governmental Fund Highlights

- The General Fund balance increased from \$1,931,086 at June 30, 2013 to \$2,229,002 at June 30, 2014. This increase was due in part to property taxes to fund the budget adjustment and an increase in open enrollment tuition receipts.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance decreased from \$1,908,482 in fiscal 2013 to \$1,720,623 in fiscal 2014 due to fiscal year 2014 expenditures for site improvement projects exceeding fiscal year local option sales, service and use tax receipts.

Proprietary Fund Highlights

Propriety Fund net position decreased from \$100,419 at June 30, 2013 to \$96,819 at June 30, 2014, representing a decrease of approximately 4%. This decrease is attributed mostly to increased costs in the Nutrition Fund. The Board continues to work on balancing the budget for the Nutrition Fund. Increasing revenue in this fund was addressed by the Board in July 2014, as previously stated.

BUDGETARY HIGHLIGHTS

During the 2014 year, Mediapolis Community School District amended its budget one time by \$1,150,000 to increase expenditures associated with the athletic complex construction project started during the fiscal year.

The District's revenues were \$307,293 more than budgeted revenues, a variance of 3%. This was due in part to a conservative approach to budgeting estimated revenues for fiscal year 2014.

Total expenditures were \$3,166,227 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$11,633,689 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 7% over last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$601,225.

The original cost of the District's capital assets was \$19,566,382. Governmental funds account for \$19,407,545, with the remainder of \$158,837 accounted for in the Proprietary, School Nutrition Fund.

The biggest percentage change in capital asset activity during the year occurred in the construction in progress category, which increased from zero in 2013 to \$1,061,363 in 2014 due mainly to work started on the Athletics Facilities Improvements Project.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 205,098	\$ 142,270	\$ -	\$ -	\$ 205,098	\$ 142,270	44.16%
Construction in progress	1,061,363	-	-	-	1,061,363	-	100.00%
Buildings and improvements	9,463,953	9,704,974	-	-	9,463,953	9,704,974	-2.48%
Improvements, other than buildings	326,535	336,835	-	-	326,535	336,835	-3.06%
Furniture and equipment	561,211	689,797	15,529	19,291	576,740	709,088	-18.66%
Totals	<u>\$11,618,160</u>	<u>\$10,873,876</u>	<u>\$15,529</u>	<u>\$19,291</u>	<u>\$11,633,689</u>	<u>\$10,893,167</u>	6.80%

Long-Term Debt

At June 30, 2014, the District had \$306,944 in general obligation and other long-term debt outstanding. This represents an increase of approximately 12% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13.6 million.

In April 2014, the District entered into an agreement to sell revenue bonds for construction of an athletic complex. \$3,040,000 of statewide sales, services and use tax revenue bonds were authorized but only \$242,102 of the bonds were drawn down as of June 30, 2014. The remainder of the authorized bonds will be drawn down as needed for the construction project.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	District		Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Governmental activities			
Revenue bonds	\$242,102	\$ -	100.00%
Compensated absences	11,989	7,793	53.84%
Termination benefits	1,000	17,000	-94.12%
Net OPEB liability	<u>51,853</u>	<u>33,143</u>	56.45%
Total	<u>\$306,944</u>	<u>\$ 57,936</u>	429.80%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District continues to experience an overall declining enrollment trend.
- The District plans to purchase two buses in 2014-15, as the bus replacement program continues.
- Work will continue on the Athletic Facilities Improvements Project. This is a financially sizable project that mainly impacts the Capital Projects Fund. Obligation of sales tax revenue to the 5 year Revenue Bonds purchased in April 2014 to fund Phase I of this project reduces the ability to spend these monies on other projects in the district over the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dawn Kelly, District Secretary/Treasurer, Mediapolis Community School District, 725 N. Northfield Street, Mediapolis, Iowa 52637.

Basic Financial Statements

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	Governmental	Business Type	
Assets	Activities	Activities	Total
Cash, cash equivalents and pooled investments	\$ 6,373,501	\$ 88,935	\$ 6,462,436
Receivables			
Property tax			
Delinquent	30,413	-	30,413
Succeeding year	2,932,577	-	2,932,577
Accounts receivable	69,703	-	69,703
Income surtaxes	281,652	-	281,652
Due from other governments	163,791	76	163,867
Due from other fund	9,299	-	9,299
Inventories	-	17,868	17,868
Non-depreciable capital assets	1,266,461	-	1,266,461
Capital assets, net of accumulated depreciation	10,351,699	15,529	10,367,228
Total assets	21,479,096	122,408	21,601,504
Liabilities			
Accounts payable	688,013	2,691	690,704
Salaries and benefits payable	789,148	6,041	795,189
Accrued interest payable	201	-	201
Due to other fund	-	9,299	9,299
Unearned revenue	-	7,558	7,558
Long-term liabilities			
Portion due within one year			
Early retirement benefits payable	1,000	-	1,000
Portion due after one year			
Revenue bonds payable	242,102	-	242,102
Compensated absences	11,989	-	11,989
Net OPEB liability	51,853	-	51,853
Total liabilities	1,784,306	25,589	1,809,895
Deferred Inflows of Resources			
Unavailable property tax revenue	2,932,577	-	2,932,577
Net Position			
Net investment in capital assets	11,376,058	15,529	11,391,587
Restricted for			
Categorical funding	255,129	-	255,129
Management levy purposes	393,495	-	393,495
Physical plant and equipment	717,597	-	717,597
Debt service	21,726	-	21,726
Student activities	206,610	-	206,610
School infrastructure	1,720,623	-	1,720,623
Unrestricted	2,070,975	81,290	2,152,265
Total net position	\$ 16,762,213	\$ 96,819	\$16,859,032

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Governmental activities						
Instruction						
Regular instruction	\$ 3,650,162	\$ 741,444	\$ 688,599	\$ -	\$ (2,220,119)	\$ -
Special instruction	933,178	82,095	-	-	(851,083)	-
Other instruction	1,152,495	317,559	12,993	-	(821,943)	-
	<u>5,735,835</u>	<u>1,141,098</u>	<u>701,592</u>	<u>-</u>	<u>(3,893,145)</u>	<u>-</u>
Support services						
Student	222,809	-	-	-	(222,809)	-
Instructional staff	414,247	-	-	-	(414,247)	-
Administration	701,814	-	-	-	(701,814)	-
Operation and maintenance of plant	666,662	-	-	-	(666,662)	-
Transportation	691,108	-	1,760	-	(689,348)	-
	<u>2,696,640</u>	<u>-</u>	<u>1,760</u>	<u>-</u>	<u>(2,694,880)</u>	<u>-</u>
	<u>10,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,757)</u>	<u>-</u>
Non-instructional programs						
Other expenses						
Facilities acquisition	12,711	-	-	-	(12,711)	-
Long-term debt interest and charges	38,137	-	-	-	(38,137)	-
AEA flowthrough	320,024	-	320,024	-	-	-
Depreciation (unallocated) *	381,585	-	-	-	(381,585)	-
	<u>752,457</u>	<u>-</u>	<u>320,024</u>	<u>-</u>	<u>(432,433)</u>	<u>-</u>
Total governmental activities	<u>9,195,689</u>	<u>1,141,098</u>	<u>1,023,376</u>	<u>-</u>	<u>(7,031,215)</u>	<u>-</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2014

Exhibit B

Functions/Programs (continued)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Business type activities						
Non-instructional programs						
Food service operations	\$ 325,151	\$ 179,564	\$ 141,349	\$ -	\$ -	\$ (4,238)
Preschool program	27,890	28,480	-	-	-	590
Total business type activities	<u>353,041</u>	<u>208,044</u>	<u>141,349</u>	<u>-</u>	<u>-</u>	<u>(3,648)</u>
Total	<u>\$ 9,548,730</u>	<u>\$ 1,349,142</u>	<u>\$ 1,164,725</u>	<u>\$ -</u>	<u>(7,031,215)</u>	<u>(3,648)</u>
					<u>(7,034,863)</u>	<u>(7,034,863)</u>

General Revenues

Property tax levied for						
General purposes						
Capital outlay	3,638,414				-	3,638,414
Statewide sales, services and use tax	320,552				-	320,552
Unrestricted state grants	659,160				-	659,160
Contributions and donations	3,131,662				-	3,131,662
Unrestricted investment earnings	16,924				-	16,924
Other	21,035				48	21,083
Special item - gain on sale of assets	21,666				-	21,666
Total general revenues and special item	<u>16,177</u>				-	16,177
Change in net position	<u>7,825,590</u>				48	<u>7,825,638</u>
Net position beginning of year	794,375				(3,600)	790,775
Net position end of year	<u>15,967,838</u>				100,419	<u>16,068,257</u>
	<u>\$ 16,762,213</u>				<u>\$ 96,819</u>	<u>\$ 16,859,032</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit C

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$3,004,135	\$1,531,596	\$1,837,770	\$ 6,373,501
Receivables				
Property tax				
Delinquent	27,764	-	2,649	30,413
Succeeding year	2,534,868	-	397,709	2,932,577
Accounts receivable	66,712	-	2,991	69,703
Income surtax	160,944	-	120,708	281,652
Due from other governments	59,645	104,146	-	163,791
Due from other fund	9,721	595,000	267	604,988
Total assets	<u>\$5,863,789</u>	<u>\$2,230,742</u>	<u>\$2,362,094</u>	<u>\$10,456,625</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 149,964	\$ 509,697	\$ 28,352	\$ 688,013
Due to other funds	267	422	595,000	595,689
Salaries and benefits payable	788,744	-	404	789,148
Total liabilities	<u>938,975</u>	<u>510,119</u>	<u>623,756</u>	<u>2,072,850</u>
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	2,534,868	-	397,709	2,932,577
Income surtax	160,944	-	120,708	281,652
Total deferred inflows of resources	<u>2,695,812</u>	<u>-</u>	<u>518,417</u>	<u>3,214,229</u>
Fund balances				
Restricted for				
Categorical funding	255,129	-	-	255,129
School infrastructure	-	1,720,623	-	1,720,623
Student activities	-	-	206,610	206,610
Management levy purposes	-	-	394,495	394,495
Physical plant and equipment	-	-	596,889	596,889
Debt services	-	-	21,927	21,927
Unassigned	1,973,873	-	-	1,973,873
Total fund balances	<u>2,229,002</u>	<u>1,720,623</u>	<u>1,219,921</u>	<u>5,169,546</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$5,863,789</u>	<u>\$2,230,742</u>	<u>\$2,362,094</u>	<u>\$10,456,625</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2014

Exhibit D

Total fund balances of governmental funds	\$ 5,169,546
--------------------------------------------------	---------------------

**Amounts reported for governmental activities in the Statement of Net Position
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,618,160
--------------------------------------------------------------------------------------------------------------------------------------------------	------------

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	281,652
----------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(201)
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------

Long-term liabilities, including bonds payable, compensated absences, early retirement benefits and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(306,944)</u>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

Net position of governmental activities	<u>\$16,762,213</u>
------------------------------------------------	----------------------------

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

Exhibit E

		Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Revenues	General			
Local sources				
Local tax	\$3,468,303	\$ -	\$ 474,199	\$3,942,502
Tuition	737,334	-	-	737,334
Other	125,732	18,840	318,816	463,388
State sources	4,004,965	659,160	151	4,664,276
Federal sources	151,681	-	-	151,681
Total revenues	<u>8,488,015</u>	<u>678,000</u>	<u>793,166</u>	<u>9,959,181</u>
Expenditures				
Current				
Instruction				
Regular	3,674,254	-	26,136	3,700,390
Special	930,844	-	-	930,844
Other	822,323	-	297,771	1,120,094
	<u>5,427,421</u>	<u>-</u>	<u>323,907</u>	<u>5,751,328</u>
Support services				
Student	221,691	-	538	222,229
Instructional staff	415,260	-	538	415,798
Administration	680,622	-	14,958	695,580
Operation and maintenance of plant	614,045	-	39,488	653,533
Transportation	512,736	-	129,216	641,952
	<u>2,444,354</u>	<u>-</u>	<u>184,738</u>	<u>2,629,092</u>
Non-instructional programs	-	-	10,757	10,757
Other expenditures				
Facilities acquisition	-	1,062,884	120,845	1,183,729
Long-term debt				
Interest and fiscal charges	-	37,936	-	37,936
AEA flowthrough	320,024	-	-	320,024
	<u>320,024</u>	<u>1,100,820</u>	<u>120,845</u>	<u>1,541,689</u>
Total expenditures	<u>8,191,799</u>	<u>1,100,820</u>	<u>640,247</u>	<u>9,932,866</u>
Excess (deficiency) of revenues over (under) expenditures	296,216	(422,820)	152,919	26,315
Other financing sources (uses)				
Sale of equipment and materials	1,700	14,477	-	16,177
Proceeds from issuance of bonds	-	242,102	-	242,102
Interfund operating transfers in	-	-	21,618	21,618
Interfund operating transfers (out)	-	(21,618)	-	(21,618)
Total other financing sources	<u>1,700</u>	<u>234,961</u>	<u>21,618</u>	<u>258,279</u>
Change in fund balances	297,916	(187,859)	174,537	284,594
Fund balance, beginning of year	1,931,086	1,908,482	1,045,384	4,884,952
Fund balance, end of year	<u>\$2,229,002</u>	<u>\$1,720,623</u>	<u>\$1,219,921</u>	<u>\$5,169,546</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014

Exhibit F

Change in fund balances - total governmental funds **\$ 284,594**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year are as follows:

Expenditures for capital assets	\$ 1,340,293	
Depreciation expense	<u>(596,009)</u>	744,284

Certain revenue not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.	14,706
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(242,102)
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	\$ 16,000	
Compensated absences	(4,196)	
Other postemployment benefits	<u>(18,710)</u>	<u>(6,906)</u>

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(201)</u>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

Change in net position of governmental activities **\$ 794,375**

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2014

Exhibit G

	Nonmajor Enterprise Funds
Assets	
Current assets	
Cash and cash equivalents	\$ 88,935
Due from other governments	76
Inventories	<u>17,868</u>
Total current assets	106,879
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>15,529</u>
Total assets	<u>122,408</u>
Liabilities	
Current liabilities	
Accounts payable	2,691
Salaries and benefits payable	6,041
Due to other fund	9,299
Unearned revenue	<u>7,558</u>
Total liabilities	<u>25,589</u>
Net Position	
Investment in capital assets	15,529
Unrestricted	<u>81,290</u>
Total net position	<u>\$ 96,819</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit H

	Nonmajor Enterprise <u>Funds</u>
Operating revenue	
Local sources	
Charges for service	<u>\$208,044</u>
Operating expenses	
Instruction	
Regular - preschool	27,890
Support services	
Administration	21,703
Operation and maintenance of plant	6,121
Non-instructional programs	
Food service operations	<u>297,327</u>
Total operating expenses	<u>353,041</u>
Operating loss	<u>(144,997)</u>
Non-operating revenue	
Interest income	48
State sources	3,035
Federal sources	<u>138,314</u>
Total non-operating revenue	<u>141,397</u>
Change in net position	(3,600)
Net position beginning of year	<u>100,419</u>
Net position end of year	<u>\$ 96,819</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit I

	Nonmajor Enterprise Funds
Cash flows from operating activities	
Cash received from sale of services	\$ 208,386
Cash payments to employees for services	(174,612)
Cash payments to suppliers for goods and services	(147,263)
Net cash used in operating activities	<u>(113,489)</u>
Cash flows from non-capital financing activities	
State grants received	3,035
Federal grants received	121,911
Net cash provided by non-capital financing activities	<u>124,946</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(1,454)</u>
Cash flows from investing activities	
Interest on investments	<u>48</u>
Net increase in cash and cash equivalents	10,051
Cash and cash equivalents, beginning of year	78,884
Cash and cash equivalents, end of year	<u>\$ 88,935</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$(144,997)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,216
Commodities used	16,327
(Increase) in inventory	(2,748)
Increase in accounts payable	2,613
Increase in due to other funds	9,299
Increase in deferred revenues	342
Increase in accrued salaries and benefits	459
Net cash used in operating activities	<u>\$(113,489)</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2014, the District received \$16,327 of federal commodities.

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

The Mediapolis Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, as well as a preschool program. The geographic area served includes the City of Mediapolis, Iowa, and the agricultural territory in Des Moines and Louisa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mediapolis Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Mediapolis Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The District reports no major proprietary funds. However, the District reports two nonmajor proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District and the Enterprise, Preschool Fund is used to account for the operation of the district-run preschool.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost. The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-

wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of succeeding year property tax and income surtaxes not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have

resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Early Retirement3 Benefits - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The termination benefit liability has been computed based on rates of pay in effect at June 30, 2014. The termination benefit liability attributable to the governmental activities will be paid primarily from the Management Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund equity is classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$393,495 for management levy purposes, \$717,597 for physical plant and equipment, \$206,610 for student activities and \$1,720,623 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$29,980 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

Note 3. Due To and From Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major special revenue		
Student Activity	General	\$ 267
General	Statewide Sales, Services and Use Tax	422
General	Non-major enterprise	
	School Nutrition	9,299
	Non-major governmental	
Statewide Sales, Services and Use Tax	Debt Service	595,000
		<u>\$ 604,988</u>

These interfund receivables/payables were a result of miscoded expenditures and are expected to be repaid during the year ending June 30, 2015.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor governmental Debt Service	Major governmental Statewide Sales, Service and Use Tax	\$ 21,618

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund were to move resources from debt issuance to pay principal and interest on debt.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 94,886	\$ 110,212	\$ -	\$ 205,098
Construction in progress	<u>47,384</u>	<u>1,013,979</u>	<u>-</u>	<u>1,061,363</u>
Total capital assets, not being depreciated	<u>142,270</u>	<u>1,124,191</u>	<u>-</u>	<u>1,266,461</u>
Capital assets being depreciated:				
Buildings and improvements	14,881,830	72,276	-	14,954,106
Improvements other than buildings	954,158	30,498	-	984,656
Furniture and equipment	<u>2,110,251</u>	<u>113,328</u>	<u>(21,257)</u>	<u>2,202,322</u>
Total capital assets being depreciated	<u>17,946,239</u>	<u>216,102</u>	<u>(21,257)</u>	<u>18,141,084</u>
Less accumulated depreciation for:				
Buildings and improvements	5,176,856	313,297	-	5,490,153
Improvements other than buildings	617,323	40,798	-	658,121
Furniture and equipment	<u>1,420,454</u>	<u>241,914</u>	<u>(21,257)</u>	<u>1,641,111</u>
Total accumulated depreciation	<u>7,214,633</u>	<u>596,009</u>	<u>(21,257)</u>	<u>7,789,385</u>
Total capital assets being depreciated, net	<u>10,731,606</u>	<u>(379,907)</u>	<u>-</u>	<u>10,351,699</u>
Governmental activities capital assets, net	<u>\$ 10,873,876</u>	<u>\$ 744,284</u>	<u>\$ -</u>	<u>\$ 11,618,160</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 157,383	\$ 1,454	\$ -	158,837
Less accumulated depreciation	<u>138,092</u>	<u>5,216</u>	<u>-</u>	<u>143,308</u>
Business type activities capital assets, net	<u>\$ 19,291</u>	<u>\$ (3,762)</u>	<u>\$ -</u>	<u>\$ 15,529</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 5,068
Other	29,593
Support services	
Administration	6,811
Operation and maintenance of plant	16,250
Transportation	<u>156,702</u>
	214,424
Unallocated depreciation	<u>381,585</u>
Total governmental activities depreciation expense	<u>\$ 596,009</u>

Business type activities

Food services	<u>\$ 5,216</u>
---------------	-----------------

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Revenue bonds	\$ -	\$ 242,102	\$ -	\$ 242,102	\$ -
Compensated absences	7,793	23,759	(19,563)	11,989	-
Early retirement benefits	17,000	-	(16,000)	1,000	1,000
Net OPEB liability	<u>33,143</u>	<u>24,419</u>	<u>(5,709)</u>	<u>51,853</u>	-
Totals	<u>\$ 57,936</u>	<u>\$ 290,280</u>	<u>\$ (41,272)</u>	<u>\$ 306,944</u>	<u>\$ 1,000</u>

Interest cost incurred and charged to expense was \$38,137 for the year ended June 30, 2014.

Early Retirement Benefits

The District offered an early retirement incentive to employees of extended tenure who opted to retire before July 1, 2012, pursuant to the terms of the Districts early retirement plan. The plan was only offered until January 14, 2012. Full-time certified administrators and teachers were eligible for the early retirement incentive if they had completed at least fifteen years of full time continuous contracted service with the District and were at least 55 years old at June 30, 2012. Full-time administrators and teachers retiring under the plan will receive an early retirement benefit of \$30,000. Each participating employee's benefit was placed into a Health Reimbursement Account, made in three equal payments annually on July 15, 2012 and the

subsequent two years. Early retirement expenditures for the year ended June 30, 2014 totaled \$16,000. At June 30, 2014, the District had obligations to one participant with a total liability of \$1,000 for termination benefits.

Revenue Bonds

On April 15, 2014 the District entered into an agreement to sell \$3,040,000 of statewide sales, services and use tax revenue bonds for the construction of an athletic complex. The bond proceeds are drawn down as the District needs funds for the project. All proceeds must be drawn down on or before November 1, 2014 at which time the bonds will be sold. The District will receive a final repayment schedule after the final draw down is made. The bonds bear interest at 1% and will be repaid with annual principal payments on July 1st of each year beginning in 2015 and ending July 1, 2019. Semi-annual interest payments will also be required. As of June 30, 2014 the District had drawn down \$242,102 of the bond proceeds and had not made any interest or principal payments on the bonds.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 5.95%, 5.78% and 5.38% of their annual covered salary and the District was required to contribute 8.93%, 8.67% and 8.07% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$477,901, \$454,774 and \$421,425, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 29 active and two retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 23,590
Interest on net OPEB obligation	829
Adjustment to annual required contribution	<u>(2,658)</u>
Annual OPEB cost	21,761
Contributions made	<u>(3,051)</u>
Increase in net OPEB obligation	18,710
Net OPEB obligation beginning of year	<u>33,143</u>
Net OPEB obligation end of year	<u>\$ 51,853</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$3,051 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 21,761	14.0%	\$ 51,853
2011	2,845	85.9%	\$ 33,143
2012	14,727	25.0%	\$ 44,187
2013	2,845	85.9%	\$ 33,143
2014	21,761	14.0%	\$ 51,853

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$137,069, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$137,069. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.6 million and the ratio of UAAL to covered payroll was 3.0%.

As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$320,024 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program

Property tax and state aid financed home school assistance program	\$ 42,423
Property tax and state aid financed weighted at-risk program	67,672
Teacher comp, beginning teacher mentoring and induction program	178
Teacher comp, teacher salary supplement	26,937
Educator quality, Iowa core curriculum	43,632
Early reader program	17,233
Educator quality, professional development	48,197
Educator quality, market factor incentives	1,058
Teacher leadership	<u>7,799</u>
	<u>\$ 255,129</u>

Note 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 14. Construction Commitment

The District entered into a contract totaling \$2,699,510 for the construction of an athletic complex. As of June 30, 2014, costs of \$701,798 had been incurred against the contract. The balance remaining on the contract will be paid as work on the project progresses. The project was started in May of 2014 and is expected to be completed in the fall of 2014.

Required Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Funds
Required Supplementary Information
For the Year Ended June 30, 2014

	Governmental Funds		Proprietary Funds	Total	Budgeted Amounts		Final to Actual Variance
	Actual		Actual	Actual	Original	Final	
Revenues							
Local sources	\$ 5,143,224		\$ 208,092	\$ 5,351,316	\$ 5,868,523	\$ 5,868,523	\$ (517,207)
State sources	4,664,276		3,035	4,667,311	3,842,806	3,842,806	824,505
Federal sources	151,681		138,314	289,995	290,000	290,000	(5)
Total revenues	<u>9,959,181</u>		<u>349,441</u>	<u>10,308,622</u>	<u>10,001,329</u>	<u>10,001,329</u>	<u>307,293</u>
Expenditures/Expenses							
Instruction	5,751,328		27,890	5,779,218	6,580,023	6,580,023	800,805
Support services	2,629,092		27,824	2,656,916	2,777,876	2,777,876	120,960
Non-instructional programs	10,757		297,327	308,084	398,000	398,000	89,916
Other expenditures	1,541,689		-	1,541,689	2,546,235	3,696,235	2,154,546
Total expenditures/expenses	<u>9,932,866</u>		<u>353,041</u>	<u>10,285,907</u>	<u>12,302,134</u>	<u>13,452,134</u>	<u>3,166,227</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	26,315		(3,600)	22,715	(2,300,805)	(3,450,805)	3,473,520
Net other financing sources (uses)	<u>258,279</u>		<u>-</u>	<u>258,279</u>	<u>-</u>	<u>1,150,000</u>	<u>(891,721)</u>
Net change in fund balance	284,594		(3,600)	280,994	(2,300,805)	(2,300,805)	2,581,799
Balance, beginning of year	4,884,952		100,419	4,985,371	2,460,984	2,460,984	2,524,387
Balance, end of year	<u>\$ 5,169,546</u>		<u>\$ 96,819</u>	<u>\$ 5,266,365</u>	<u>\$ 160,179</u>	<u>\$ 160,179</u>	<u>\$ 5,106,186</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended its published budget one time during the year ended June 30, 2014, increasing budgeted expenditures by \$1,150,000.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$120,826	\$120,826	\$ -	\$4,483,521	2.7%
2011	July 1, 2009	-	120,826	120,826	-	4,609,329	2.6%
2012	July 1, 2009	-	120,826	120,826	-	4,393,703	2.7%
2013	July 1, 2012	-	145,546	145,546	-	4,397,568	3.3%
2014	July 1, 2012	-	137,069	137,069	-	4,562,433	3.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$232,108	\$393,125	\$595,610	\$616,927	\$1,837,770
Receivables					
Property tax					
Delinquent	-	1,370	1,279	-	2,649
Succeeding year	-	290,000	107,709	-	397,709
Accounts receivable	2,991	-	-	-	2,991
Income surtax	-	-	120,708	-	120,708
Due from other funds	267	-	-	-	267
Total assets	<u>\$235,366</u>	<u>\$684,495</u>	<u>\$825,306</u>	<u>\$616,927</u>	<u>\$2,362,094</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 28,352	\$ -	\$ -	\$ -	\$ 28,352
Due to other funds	-	-	-	595,000	595,000
Salaries and benefits payable	404	-	-	-	404
Total liabilities	<u>28,756</u>	<u>-</u>	<u>-</u>	<u>595,000</u>	<u>623,756</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	-	290,000	107,709	-	397,709
Income surtax	-	-	120,708	-	120,708
Total deferred inflows of resources	<u>-</u>	<u>290,000</u>	<u>228,417</u>	<u>-</u>	<u>518,417</u>
Fund balances					
Restricted for					
Student activities	206,610	-	-	-	206,610
Management levy purposes	-	394,495	-	-	394,495
Physical plant and equipment	-	-	596,889	-	596,889
Debt service	-	-	-	21,927	21,927
Total fund balances	<u>206,610</u>	<u>394,495</u>	<u>596,889</u>	<u>21,927</u>	<u>1,219,921</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$235,366</u>	<u>\$684,495</u>	<u>\$825,306</u>	<u>\$616,927</u>	<u>\$2,362,094</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>		
			<u>Physical Plant and Equipment</u>	<u>Debt Service</u>	<u>Total</u>
Revenues	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>		
Local sources					
Local taxes	\$ -	\$160,030	\$314,169	\$ -	\$ 474,199
Other	310,821	6,519	1,167	309	318,816
State sources	-	78	73	-	151
Total revenues	<u>310,821</u>	<u>166,627</u>	<u>315,409</u>	<u>309</u>	<u>793,166</u>
Expenditures					
Current					
Instruction					
Regular	-	26,136	-	-	26,136
Other	297,771	-	-	-	297,771
Total instruction	<u>297,771</u>	<u>26,136</u>	<u>-</u>	<u>-</u>	<u>323,907</u>
Support services					
Student	-	538	-	-	538
Instructional staff	-	538	-	-	538
Administration	-	14,958	-	-	14,958
Operation and maintenance of plant	-	39,488	-	-	39,488
Transportation	-	35,241	93,975	-	129,216
Total support services	<u>-</u>	<u>90,763</u>	<u>93,975</u>	<u>-</u>	<u>184,738</u>
Non-instructional programs	<u>-</u>	<u>10,757</u>	<u>-</u>	<u>-</u>	<u>10,757</u>
Other expenditures					
Facilities acquisition	-	-	120,845	-	120,845
Total expenditures	<u>297,771</u>	<u>127,656</u>	<u>214,820</u>	<u>-</u>	<u>640,247</u>
Excess of revenues over expenditures	13,050	38,971	100,589	309	152,919
Other financing uses					
Interfund operating transfers in	-	-	-	21,618	21,618
Net change in fund balances	13,050	38,971	100,589	21,927	174,537
Fund balances, beginning of year	193,560	355,524	496,300	-	1,045,384
Fund balances, end of year	<u>\$ 206,610</u>	<u>\$394,495</u>	<u>\$596,889</u>	<u>\$ 21,927</u>	<u>\$1,219,921</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Current assets			
Cash, cash equivalents and pooled investments	\$61,319	\$27,616	\$88,935
Due from other governments	76	-	76
Inventories	<u>17,868</u>	<u>-</u>	<u>17,868</u>
Total current assets	79,263	27,616	106,879
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>15,529</u>	<u>-</u>	<u>15,529</u>
Total assets	<u>94,792</u>	<u>27,616</u>	<u>122,408</u>
Liabilities			
Current liabilities			
Accounts payable	2,691	-	2,691
Salaries and benefits payable	2,216	3,825	6,041
Due to other fund	9,299	-	9,299
Unearned revenue	<u>7,558</u>	<u>-</u>	<u>7,558</u>
Total liabilities	<u>21,764</u>	<u>3,825</u>	<u>25,589</u>
Net Position			
Investment in capital assets	15,529	-	15,529
Unrestricted	<u>57,499</u>	<u>23,791</u>	<u>81,290</u>
Total net position	<u>\$73,028</u>	<u>\$23,791</u>	<u>\$96,819</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

Schedule 4

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 179,564	\$ 28,480	\$208,044
Operating expenses			
Instruction			
Regular			
Salaries	-	19,904	19,904
Benefits	-	7,886	7,886
Supplies	-	100	100
	<u>-</u>	<u>27,890</u>	<u>27,890</u>
Support services			
Administration			
Salaries	11,686	-	11,686
Benefits	9,757	-	9,757
Purchased services	260	-	260
	<u>21,703</u>	<u>-</u>	<u>21,703</u>
Operation and maintenance of plant			
Purchased services	6,121	-	6,121
Non-instructional programs			
Food service operations			
Salaries	103,490	-	103,490
Benefits	31,647	-	31,647
Purchased services	2,512	-	2,512
Supplies	154,462	-	154,462
Depreciation	5,216	-	5,216
	<u>297,327</u>	<u>-</u>	<u>297,327</u>
Total operating expenses	<u>325,151</u>	<u>27,890</u>	<u>353,041</u>
Operating income (loss)	<u>(145,587)</u>	<u>590</u>	<u>(144,997)</u>
Non-operating revenue			
Interest income	48	-	48
State sources	3,035	-	3,035
Federal sources	138,314	-	138,314
Total non-operating revenue	<u>141,397</u>	<u>-</u>	<u>141,397</u>
Change in net position	(4,190)	590	(3,600)
Net position beginning of year	77,218	23,201	100,419
Net position end of year	<u>\$ 73,028</u>	<u>\$ 23,791</u>	<u>\$ 96,819</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

Schedule 5

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 179,906	\$ 28,480	\$ 208,386
Cash payments to employees for services	(146,989)	(27,623)	(174,612)
Cash payments to suppliers for goods and services	(147,163)	(100)	(147,263)
Net cash provided by (used in) operating activities	<u>(114,246)</u>	<u>757</u>	<u>(113,489)</u>
Cash flows from non-capital financing activities			
State grants received	3,035	-	3,035
Federal grants received	121,911	-	121,911
Net cash provided by non-capital financing activities	<u>124,946</u>	<u>-</u>	<u>124,946</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(1,454)	-	(1,454)
Cash flows from investing activities			
Interest on investments	48	-	48
Net increase in cash and cash equivalents	9,294	757	10,051
Cash and cash equivalents, beginning of year	52,025	26,859	78,884
Cash and cash equivalents, end of year	<u>\$ 61,319</u>	<u>\$ 27,616</u>	<u>\$ 88,935</u>

**Reconciliation of operating income (loss) to net cash
provided by (used in) operating activities**

Operating income (loss)	\$ (145,587)	\$ 590	\$ (144,997)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	5,216	-	5,216
Commodities used	16,327	-	16,327
(Increase) in inventory	(2,748)	-	(2,748)
Increase in accounts payable	2,613	-	2,613
Increase in due to other funds	9,299	-	9,299
Increase in deferred revenues	342	-	342
Increase in accrued salaries and benefits	292	167	459
Net cash provided by (used in) operating activities	<u>\$ (114,246)</u>	<u>\$ 757</u>	<u>\$ (113,489)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014 the District received \$16,327 of federal commodities.

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2014

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Athletics	\$ 67,362	\$ 116,007	\$ 117,208	\$ (3,875)	\$ 62,286
Middle school athletics	32,950	11,550	9,853	-	34,647
Athletic scholarship	-	250	250	-	-
Beverage contract	9,020	257	-	-	9,277
Cheerleaders	1,001	349	1,076	(274)	-
HS football cheerleaders	-	1,685	226	137	1,596
HS basketball cheerleading	-	1,611	1,106	137	642
HS wrestling cheerleading	-	-	1,305	1,305	-
Concessions	-	45,527	45,527	-	-
FFA	18,713	62,871	61,200	-	20,384
FFA scholarship	400	1,300	-	-	1,700
FCCLA	1,241	3,838	3,658	-	1,421
Band	1,567	2,366	1,931	-	2,002
High school student council	4,851	1,025	1,985	-	3,891
SADD	475	-	-	-	475
Vocal music	1,280	1,553	1,180	-	1,653
National Honor Society	3,529	1,585	1,694	(500)	2,920
NHS scholarship/memorial	-	-	500	500	-
Science club	1,617	1,565	642	-	2,540
Spanish club	898	9,195	9,987	(100)	6
HS drama	5,837	1,871	1,221	-	6,487
Yearbook	3,952	9,603	10,324	-	3,231
Art club	2,375	520	983	-	1,912
SEEDS	673	-	-	-	673
Speech	-	-	1,351	1,351	-
Quiz Bowl	733	-	-	-	733
Mock trial	-	-	1,179	1,179	-
Mediapolis F.O.R. fund balance	942	-	-	-	942
Prom	5,366	2,555	2,951	-	4,970
Spanish club scholarship fund	-	200	300	100	-
High school account	1,128	8,297	6,315	-	3,110

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2014

Schedule 6

Account (continued)	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Middle school band	\$ 265	\$ 65	\$ 60	\$ -	\$ 270
Middle school student council	2,758	1,905	2,237	-	2,426
Middle school account	8,638	16,924	3,551	-	22,011
Middle school fundraiser	4,947	-	123	-	4,824
Middle school scholarship	1,285	-	-	-	1,285
Bulldog Bites Restaurant	110	-	-	-	110
Elementary	7,964	3,416	5,504	-	5,876
Robotics club	-	320	360	40	-
Elementary art	1,683	2,611	1,984	-	2,310
Totals	<u>\$ 193,560</u>	<u>\$ 310,821</u>	<u>\$ 297,771</u>	<u>\$ -</u>	<u>\$ 206,610</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Local sources										
Local tax	\$3,942,502	\$4,190,570	\$4,151,426	\$3,920,554	\$ 3,716,148	\$ 4,254,772	\$ 3,825,239	\$ 4,151,862	\$ 4,022,781	\$ 3,973,148
Tuition	737,334	683,722	679,180	550,934	494,985	410,488	450,545	359,214	436,494	377,139
Other	463,388	469,538	440,860	409,131	357,288	356,316	556,153	743,492	642,149	455,373
State sources	4,664,276	4,338,405	3,977,339	4,026,260	3,751,832	4,443,746	4,340,322	4,051,480	3,666,552	3,641,209
Federal sources	151,681	163,253	185,756	466,808	719,155	145,884	157,961	195,416	175,681	232,064
Total revenues	\$9,959,181	\$9,845,488	\$9,434,561	\$9,373,687	\$ 9,039,409	\$ 9,611,206	\$ 9,330,220	\$ 9,501,464	\$ 8,943,657	\$ 8,678,933
Expenditures										
Current										
Instruction										
Regular	\$3,700,390	\$3,664,542	\$3,709,545	\$3,819,154	\$ 3,629,314	\$ 3,787,570	\$ 3,587,344	\$ 3,306,501	\$ 3,003,657	\$ 3,061,212
Special	930,844	933,484	1,185,801	1,147,382	999,875	1,072,013	997,712	911,008	915,070	845,138
Other	1,120,094	1,057,913	1,046,602	1,048,578	1,016,252	713,748	772,596	881,495	791,476	586,163
Support services										
Student	222,229	190,695	182,948	134,450	168,258	183,221	162,786	153,886	176,456	176,336
Instructional staff	415,798	317,640	256,900	306,659	323,464	340,803	270,028	265,487	298,285	95,705
Administration	695,580	689,274	737,048	636,014	726,618	734,026	704,316	712,645	649,963	765,701
Operation and maintenance of plant	653,533	604,168	576,566	576,387	567,637	572,117	597,762	587,349	504,097	444,312
Transportation	641,952	632,079	560,030	583,683	494,236	605,340	680,104	551,404	593,651	495,752
Central support services	-	-	-	-	1	-	-	-	-	-
Non-instructional programs	10,757	10,363	8,591	4,603	9,536	14,515	14,647	3,686	1,202	3,396
Other expenditures										
Facilities acquisition	1,183,729	539,834	613,021	439,962	914,174	406,226	273,494	534,265	586,718	426,644
Long-term debt										
Principal	-	-	-	-	-	400,000	445,000	540,000	845,000	820,000
Interest and other charges	37,936	-	-	-	-	7,148	44,096	66,113	100,133	129,191
AEA flowthrough	320,024	316,110	314,925	349,255	350,016	314,410	295,944	281,342	255,956	253,380
Total expenditures	\$9,932,866	\$8,956,102	\$9,191,977	\$9,046,127	\$ 9,199,381	\$ 9,151,137	\$ 8,845,829	\$ 8,795,181	\$ 8,721,664	\$ 8,102,930
See accompanying Independent Auditor's Report.										

Kay L. Chapman, CPA PC

116 Harrison Street
Muscatine, Iowa 52761
563-264-1385
kchapman@cpakay.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Mediapolis Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 17, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Mediapolis Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mediapolis Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Mediapolis Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiencies described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mediapolis Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mediapolis Community School District's Responses to Findings

Mediapolis Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Mediapolis Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Mediapolis Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 17, 2015

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Part I. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - One variance regarding the supplementary weighting certified to the Iowa Department of Education was noted. One special education student was inadvertently omitted on the weighted enrollment count submitted.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to correct the weighted enrollment summary from 89.40 to 90.70 to account for this student.

Response - We have already contacted the Iowa Department of Education and the Iowa Department of Management to correct the certified supplementary weighting.

Conclusion - Response accepted.

9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Beginning balance		\$ 1,908,482
Revenues		
Statewide sales and services tax revenue	\$ 659,160	
Contributions	10,000	
Interest	8,840	
Sale of equipment	14,477	
Proceeds from issuance of bonds	<u>242,102</u>	934,579
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ (1,055,068)	
Equipment	(7,816)	
Debt service for school infrastructure		
Revenue debt	<u>(59,554)</u>	<u>(1,122,438)</u>
Ending balance		<u>\$ 1,720,623</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2014

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant